

OCI No. 3101/65

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
28 December 1965

INTELLIGENCE MEMORANDUM

Pre-Election Politics in Brazil

1. The present relatively tranquil situation in Brazil is likely to evolve in the next two or three months into a pre-electoral period marked by growing political frictions. Under a recent decree President Castello Branco may call an election at any time before 3 October 1966, his successor to take office in March 1967. The president is to be elected by an absolute majority of Congress. The election is likely to be held shortly before October, although some reports indicate that it will come early, perhaps during the first few months of next year.

2. A major problem for the government during this period--indeed for the foreseeable future--will continue to be pressure from hard-line military officers for more zealous action to ensure the success of the movement that overthrew the Goulart regime in April 1964. These officers regard the movement as an authentic revolution, the primary objective of which is to eliminate completely political corruption and subversion. During the past two months, by its opposition to the inauguration of Francisco Negro de Lima as governor of Guanabara, the hard line has shown that it is capable of provoking a crisis. The upcoming inaugurations of 10 more new governors at the end of January could provide the stimulus for further agitation.

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3. The problem of controlling the hard line has been a matter of continuing concern for Castello Branco. Until recently it represented an unorganized, small minority of both active and retired officers. During the past several weeks, however, there has been evidence that shortly before the gubernatorial elections a loose organization had begun to develop among middle-grade officers; [REDACTED]

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4. Until recently War Minister Costa e Silva has been the main factor in preserving the unity of the armed forces behind the President. [REDACTED]

Costa e Silva also may resent the lack of enthusiasm for his presidential ambitions within the administration. He has probably realized that he is not the preferred candidate of Castello Branco. Castello Branco has placed loyal supporters in key commands, but should an open rift between the President and the war minister indeed develop, the prospects for controlling hard-line agitation would be greatly reduced.

5. The forthcoming weeks are likely to see considerable maneuvering by the politicians to assert their influence in the new political parties now being organized. There will also be much pulling and hauling over the selection of candidates for the presidential election. Carlos Lacerda and other opposition political leaders will seek to embarrass and discredit the present regime by exploiting public unrest. The government will be preoccupied with exerting a moderating influence on the various political forces, with Castello Branco hoping to prevent their antagonisms from frustrating the country's economic and social progress.

6. The outlook for the presidential election is very uncertain, and this uncertainty lends an element of strain to all political developments. Castello Branco has disqualified himself as a possible candidate by inserting in the Second Institutional Act a provision expressly prohibiting

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his own candidacy. He and his advisers appear to be undecided on any candidate as the revolution's nominee. [REDACTED]

[REDACTED] there are at least eight potential candidates whom the President now regards as qualified. There are growing signs of possible friction among the top leaders over this question. Among the many possible opposition candidates, Lacerda still remains a definite contender.

7. Whoever becomes the regime's choice and whoever ultimately succeeds to the presidency, it seems highly doubtful that the leadership provided by Castello Branco will be maintained. It will be extremely difficult if not impossible to find someone with his combination of intelligence, responsibility, and dedication, not to mention his many connections within the military and his immense personal prestige, which enables him to operate without obligation to any political machine.

8. Castello Branco's successor, of course, will not be faced with many of the critical problems that confronted the present government upon the overthrow of the Goulart regime in April 1964. Substantial progress has been made toward preparing the groundwork for long-term economic growth and social improvement. Particularly noteworthy are the reduction in subversion, the improvement in the country's fiscal position, and important reforms in banking, tax administration, and agriculture.

9. Perhaps the most urgent continuing concern of the next administration, as with the present one, will be inflation. The government is struggling to slow the still rapid rise in the cost of living so that the general public will become aware that the anti-inflation program is sound and effective. The program is already successful from a statistical point of view--the cost of living increase for 1965 is likely to be around 50 percent, compared with 87 percent for all of 1964 and an annual rate of increase of 140 percent at the time of Goulart's ouster. However,

the gains made under the anti-inflation program will not become apparent for some time to the average consumer, who sees prices still rising rapidly and the administration's lid on wages still clamped down. Timing is important, because if inflation has been brought under control by the election the chances will increase that the incoming government will assume power peacefully and will continue Brazil's present policies. Without substantial progress toward improving the plight of the general public by then, conditions could become unstable, and possibly force Castello Branco or, more likely, his successor into completely authoritarian rule.

10. For the short run, Castello Branco has an opportunity with Congress in recess--during the next few months--traditionally a relatively calm period--to strengthen his position before the presidential election campaign dominates the country's political life.

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FORM 2-62 2024
457-65

COMPLETED AS OCI No. 3101/65 DATED 28 DECEMBER 1965
OCI - NOTICE OF SPECIAL PAPER

Date _____

SUBJECT: Pre-Election Politics in Brazil

REQUESTED BY: Self-initiated

PURPOSE: _____

DESIRED LENGTH: _____

SPECIAL DISSEM: Category E
Routine internal and external dissemination GRAPHICS? _____

COORDINATION OUTSIDE OCI: _____

ASSIGNED TO: STATINTL
IA DUE DATE: _____

OAD REVIEW: _____

1. O/DCI _____ 4. CS/II _____ 6. WA _____ 7. AA _____ 8. SSBA _____
2. O/DDI _____ 5. DAY/SIDO _____ P/A _____ P/A _____ P/A _____
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PRE-ELECTION POLITICS IN BRAZIL

DIRECTORATE OF INTELLIGENCE

Office of Current Intelligence

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AUTH: HR 70-2
DATE: _____ REVIEWER: _____

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